

Message Text

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PAGE 01 JAKART 10315 01 OF 02 220915Z

12

ACTION EB-07

INFO OCT-01 EA-07 IO-10 ISO-00 FEA-01 AGR-05 CEA-01

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FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 9883

INFO AMEMBASSY BANGKOK

AMEMBASSY KUALA LUMPUR

AMEMBASSY MANILA

AMEMBASSY SINGAPORE

AMCONSUL MEDAN

AMCONSUL SURABAYA

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LIMITED OFFICIAL USE SECTION 1 OF 2 JAKARTA 10315

EO 11652: N/A

TAGS: EGEN ETRD PFOR ID

SUBJ: NEW INTERNATIONAL ECONOMIC ORDER (NIEO)

REF: JAKARTA 9311

1. SUMMARY: BASIC DOCUMENT PREPARED AS GUIDELINE FOR
INDONESIA'S FOREIGN ECONOMIC POLICY, INCLUDING APPROACH
TO NIEO(REF), ACKNOWLEDGES COMMON INTEREST WITH DEVELOPED
NATIONS, BUT CASTS LOT IRREVOCABLY WITH THIRD WORLD AND
REJECTS MODERATE "NICE GUY" ROLE. AT SAME TIME, INDONESIA
HOPES AVOID ATMOSPHERE OF CONFRONTATION IN FORTHCOMING
7TH UNGA SPECIAL SESSION(7SS) REALIZING THAT IF IDEOLOGICAL
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PAGE 02 JAKART 10315 01 OF 02 220915Z

POLEMICS ASSUME CENTER STAGE THERE, IMPORTANT MATERIAL

ISSUES WILL BE RESOLVED ELSEWHERE. CONVERSATION ON POLICIES WITH MINISTER SUMITRO AND PLANNING ADVISER SOEDJATMOKO EXPOSED INCONSISTENCY BETWEEN INDONESIAN DESIRE FOR SOLIDARITY WITH THIRD WORLD AND INTEREST IN AVOIDING CONFRONTATION, WHICH INDONESIANS HAVE SO FAR NOT BRIDGED WITH COHERENT STRATEGY. DISCUSSIONS FOCUSED HEAVILY ON COMMODITY AS INSTRUMENT FOR ACHIEVING NEW ECONOMIC ORDER, WITH PRICE OF MAJOR COMMODITIES SUBJECT TO NEGOTIATION BETWEEN PRODUCER AND CONSUMER. BLOCS. US OPPOSITION TO CARTELS STRONGLY RESENTED AND REJECTED. INDONESIA MAY ALSO PRESS TO RESTRUCTURE UN AND ITS PRINCIPAL BRANCHES, ENVISIONING BALANCE OF THREE INTEREST GROUPS: INDUSTRIALIZED COUNTRIES, LDCS WITH SUBSTANTIAL RESOURCE ENDOWMENTS AND TRULY HAVE-NOT LDCS. END SUMMARY.

2. ECON COUNSELOR COHN, ECON OFFICER PERREAULT AND I MET FOR TWO HOURS ON AUGUST 10 WITH MINISTER OF STATE FOR RESEARCH SUMITRO, FORMER AMBASSADOR SOEDJATMOKO, REPRESENTING STATE PLANNING UNIT BAPPENAS, AND AIDES, AT OUR REQUEST, TO DISCUSS MAGNUM OPUS ON NIEO WHICH SUMITRO COMMITTEE OF FOUR MINISTERS HAS JUST PRESENTED TO PRESIDENT SUHARTO. SUMITRO EXPLAINED THIS STUDY DONE AT PRESIDENT'S REQUEST TO RECONCILE AND UNIFY INDONESIAN POLICIES IN VARIOUS INTERNATIONAL TRADE, AID, AND FINANCIAL FORUMS. SOEDJATMOKO HAS MADE KEY CONTRIBUTION. MEETING WAS SUMITRO SHOW WITH TELLING CONTRIBUTIONS FROM SOEDJATMOKO.

3. WHILE DOCUMENT DID NOT YET FORMALLY REPRESENT INDONESIAN POLICY, PROFESSOR SUMITRO EXPECTED THAT IT WOULD SERVE AS IMPORTANT GUIDANCE FOR FUTURE INDONESIAN PARTICIPATION IN INTERNATIONAL ECONOMIC DISCUSSIONS (WE SUSPECT IT WILL BECOME OFFICIAL POLICY). DOCUMENT BASICALLY REACHED FOUR CONCLUSIONS:

A. IMPORTANT COMMON INTERESTS DO EXIST BETWEEN INDONESIA AND DEVELOPED COUNTRIES.

B. NEVERTHELESS, INDONESIA IS CLEARLY PART OF THIRD WORLD AND THIS RELATIONSHIP WILL BE IMPORTANT UNDERLYING LIMITED OFFICIAL USE

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PAGE 03 JAKARTA 10315 01 OF 02 220915Z

CONSIDERATION IN ALL ACTIONS.

C. INDONESIA IS AGAINST CONFRONTATION WITH DEVELOPED WORLD BUT IS NOT "MODERATE." INDONESIA WANTS PROBLEMS SOLVED ALONG LINES OF NIEO BUT, IF POSSIBLE, OUTSIDE ATMOSPHERE OF IDEOLOGICAL DEBATES.

D. NO DISTINCTION SHOULD BE DRAWN AMONG RAW

MATERIALS IN BRINGING ABOUT GREATER EQUILIBRIUM BETWEEN PRODUCER AND CONSUMER ALTHOUGH MODALITIES OF DEALING WITH VARIOUS COMMODITIES MAY DIFFER.

4. AFTER COURTEOUS ALLUSION TO POSITIVE AND HELPFUL USG INTENTIONS EXPRESSED IN RECENT STATEMENTS BY SECRETARY KISSINGER AND OTHER USG SPOKESMEN RECEIVED FROM EMBASSY, SUMITRO OBSERVED THAT THEY DISCLOSE RESISTENCE TO WHAT INDONESIA REGARDS AS REALITY OF OUR TIMES: NEED FOR BASIC STRUCTURAL CHANGES IN INTERNATIONAL MECHANISMS CORRESPONDING TO OBJECTIVE CHANGES IN WORLD ECONOMIC POWER STRUCTURE (IMPLICITLY, AS RECENTLY DEMONSTRATED BY OPEC). "WE DON'T UNDERSTAND YOUR CRUSADE AGAINST CARTELS," HE SAID; INTERNATIONAL MARKETS HAVE ALWAYS BEEN IMPERFECT, AND "WE" ARE SIMPLY TRYING TO IMPROVE THEM BY STRENGTHENING PRODUCER COHESION TO BALANCE POWER CONSUMERS HAVE HISTORICALLY WIELDED. AT LAST RAW MATERIALS PRODUCERS HAVE A WEAPON OTHER THAN SUPPLICATION WITH WHICH TO OPPOSE POWERFUL INTERESTS LIKE (HIS PRINCIPAL EXAMPLE) SHIPPING COMPANIES. INDONESIA CANNOT ACCEPT THAT ESTABLISHED SYSTEM, BASED ON UNOPPOSED CONSUMER POWER OF INDUSTRIALIZED WEST WHICH "HAS SERVED WORLD WELL" IS THEREFORE STILL SERVICABLE AND ONLY HAS TO BE PATCHED UP ON AN AD HOC BASIS AS PROBLEMS ARISE.

5. AS TO CONTENT OF COMMODITY POLICIES THAT INDONESIA WOULD ADVOCATE, SUMITRO SAID PROBLEMS MUST BE CONSIDERED COMPREHENSIVELY--PETROLEUM IS A COMMODITY LIKE THE REST AND NOT A SPECIAL CASE. HOWEVER, WITH THIS PRINCIPLE UNDERSTOOD, INDONESIA PREPARED TO RECOGNIZE THAT APPROACH TO TRADE IN VARIOUS COMMODITIES MUST VARY ACCORDING TO CIRCUMSTANCES. PRODUCER/CONSUMER COUNCILS LIKE ITC WOULD BE APPROPRIATE INSTRUMENTS FOR SOME. PRIORITY IN CONSIDERING INDIVIDUAL COMMODITIES SHOULD REFLECT SPECIAL LIMITED OFFICIAL USE

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PAGE 04 JAKART 10315 01 OF 02 220915Z

INTEREST IN CERTAIN COMMODITIES--EG COFFEE FOR THE AFRICANS AND SOUTH AMERICANS; BAUXITE FOR CARIBBEAN AND CERTAIN AFRICAN COUNTRIES; TIMBER AND RUBBER FOR ASEAN GROUP.

6. THE MINISTER EXTENDED RESTRUCTURING IDEA TO UN ORGANIZATION URGING THAT DEVELOPING COUNTRIES BE GIVEN A MORE EFFECTIVE VOICE IN DECISION MAKING IN ALL UN AGENCIES INCLUDING PARTICULARLY IBRD AND IMF. (REFERRING TO OTHER AGENCIES, SUMITRO OBSERVED THAT UNDP AND UNCTAD, WHILE REPRESENTING LDC INTEREST, "HAD NO TEETH", AND THAT GATT, A STRONG AGENCY, WAS "COMPLETELY IN THE GRIP OF VESTED INTERESTS.") THREE GROUPS SHOULD HAVE PART IN ALL DECISIONS OF THESE AGENCIES, SAID SUMITRO: INDUSTRIAL COUNTRIES WITH TECHNOLOGY, LDCS WITH NO TECHNOLOGY BUT WITH SUBSTANTIAL RESOURCE POTENTIAL, AND FINALLY LDCS WITH NO TECHNOLOGY

AND POOR RESOURCE ENDOWMENT.

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PAGE 01 JAKARTA 10315 02 OF 02 220802Z

12

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R 220515Z AUG 75

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INFO AMEMBASSY BANGKOK

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LIMITED OFFICIAL USE SECTION 2 OF 2 JAKARTA 10315

7. DISCUSSION ON MULTINATIONALS DISCLOSED SOME COMMON GROUND: SUMITRO ACKNOWLEDGED THEIR USEFUL AND NECESSARY ROLE AS AGENTS OF DEVELOPMENT, SPECIFICALLY IN TECHNOLOGY TRANSFER AND FINANCIAL RESOURCE MOBILIZATION(HE MIGHT HAVE MENTIONED ACCESS TO INTERNATIONAL MARKETS). PROBLEMS ARISE BECAUSE THEIR SUPERIOR EXPERIENCE AND LEGAL ACUMEN PERMIT THEM TO OUT NEGOTIATE INDIVIDUAL DEVELOPING COUNTRIES ON AGREEMENTS TO GOVERN THEIR CONDUCT. FURTHER PROBLEM, SOEDJATMOKO ADDED, IS THAT NO CODE OF CONDUCT HAS SPONTANEOUSLY DEVELOPED AMONG MULTINATIONALS THEMSELVES, AND NATIONAL INSTITUTIONS ARE TOO WEAK TO PREVENT UNDESIRABLE COMPETITIVE PRACTICES LIKE BRIBERY OF LOCAL

OFFICIALS. THESE ARE PROBLEMS THAT BEG FOR INTERNATIONAL,
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PAGE 02 JAKART 10315 02 OF 02 220802Z

OR AT A MINIMUM REGIONAL, SOLUTIONS. WHEN WE SUGGESTED
US READINESS TO DISCUSS STATEMENT OF PRINCIPLES, SUMITRO
PLEADED THAT SEMANTICS MIGHT BE CRUCIAL FOR THE INDONESIANS:
A SYSTEM OF "AGREED GUIDELINES FOR IMPLEMENTATION" WITH
RESPECT TO TRANSNATIONALS WOULD BE MORE PALATABLE THAN
"STATE OF BASIC PRINCIPLES" PROPOSED IN SECRETARY
KISSINGER'S MONTREAL SPEECH.

8. SUMITRO AND SOEDJATMOKO WERE VERY EXPLICIT IN DECLARING
INDONESIA--"AS ASEAN"-- IS PART OF THIRD WORLD AND
INTENDS TO BE LOYAL TO IT. ONLY ACCEPTABLE DIVISIONS
WITHIN THAT GROUP ARE REGIONAL GROUPINGS LIKE ASEAN AND
AND EAS PACT. BUT SOEDJATMOKO ALSO PROFESSED UNDERSTANDING
OF MY POINT (WITH WHICH SUMITRO DID NOT DIFFER) THAT
DOMINATION OF 7SS BY RHETORICAL POSTURING OF THIRD WORLD
LEADERS COULD RESULT IN FURTHER SERIOUS EROSION OF US
PUBLIC SUPPORT FOR THE UN. HE EXPRESSED HOPE SUCH OUTCOME
COULD BE VERTED BY MORE PRACTICALLY ORIENTED DISCUSSIONS
IN OTHER FORUMS, BOTH BILATERAL AND MULTILATERAL, WHICH
WOULD DEMONSTRATE US GOODWILL ON PRACTICAL ISSUES, OR
EVEN ASSUME IMPORTANCE AS ALTERNATIVE TO UNGA. IN THIS
CONTEXT SOEDJATMOKO AGAIN ALLUDED TO INDONESIA'S ASEAN
LINK, AS THOUGH IT MIGHT SERVE AS CHANNEL FOR PRACTICAL
DISCUSSIONS (EG WITH US) SHOULD UNGA BECOME INTRACTABLE.

9. IN RESPONDING TO PROFESSOR SUMITRO'S PRESENTATION I
SAID THAT HIS APPROACH APPEARED TO CREATE DILEMMAS FOR US
BOTH. I ASKED HOW DESIRE FOR FRUITFUL DISCUSSIONS OF
SPECIFIC ISSUES COULD BE RECONCILED WITH THIRD WORLD
SOLIDARITY. I MENTIONED THAT US OPPOSITION TO CARTELS
WAS STRONGLY HELD VIEW WITHIN UNITED STATES. AS I WAS
SEEKING UNDERSTANDING OF THIRD WORLD PHILOSOPHY IT WAS
APPROPRIATE THAT HE SEEK UNDERSTANDING OF OUR PHILOSOPHY
WHICH IS BASED ON CREATION OF WEALTH RATHER THAN
REDISTRIBUTION. I ALSO SAID THAT THRUSTING THESE MAJOR
ISSUES INTO UN, WHERE THERE WAS WIDE DISPARITY IN SIZE OF
COUNTRIES AND CONTRIBUTION THEY COULD INDIVIDUALLY MAKE
TO PROBLEMS, GAVE US SERIOUS DIFFICULTIES. DID INDONESIA
REALLY FEEL THAT A COUNTRY OF A FEW HUNDRED THOUSAND
PEOPLE SHOULD HAVE THE SAME VOICE IN THESE MAJOR ISSUES
AS INDONESIA? SUMITRO SAID HE UNDERSTOOD OUR PROBLEM.
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PAGE 03 JAKART 10315 02 OF 02 220802Z

10. I MADE SPECIAL EFFORT IN THIS MEETING TO EXPLAIN USG DIFFICULTY IN RESPONDING TO SOME EXTREME RHETORICAL DEMANDS REPRESENTED AS ASPRIATIONS OF ALL DEVELOPING COUNTRIES. AS EXAMPLE I MENTIONED INCONSISTENCY BETWEEN DESIRE OF NATIONS LIKE INDONESIA FOR CAPITAL AND REFERENCES IN DAKAR AND ALGIERS TO HOST COUNTRIES' FULL EXERCISE OF NATIONAL SOVEREIGNTY WHICH WULD HAVE RESULT OF DISCOURAGING INVESTMENT. USG ENDORSES NATIONAL SOVEREIGNTY PRINCIPLE WITHOUT RESERVATION AND SEES IT AS PROPERLY APPLIED BY STATES IN REACHING AGREEMENTS WITH TRANSNATIONALS. DAKAR AND ALGIERS STATEMENTS SEEM, HOWEVER, TO ASSERT THAT SOVEREIGNTY IMPLIES RIGHT UNIQUE TO STATES TO VACATE SUCH AGREEMENTS AT WILL. THIS IS POSITION USG CANNOT ACCEPT, AND WHICH COUNTRIES LIKE INDONESIA, WHOSE INTERESTS LIE IN ATTRACTING FOREIGN PRIVATE INVESTMENT, MIGHT SEE AS WE DO. BUT SOLIDARITY WITH SELFDECLARED THIRD WORLD LEADERS SEEMS TO HOLD SUCH COUNTRIES MORE FORCEFULLY THAN OBJECTIVE CONSIDERATION OF THEIR MATERIAL INTERESTS. RESULT IS THAT USG IS UNABLE TO DEAL WITH THEM ON BASIS OF REAL COMMUNITY OF INTERESTS AND IS OBLIGAGED TO CONFRONT THEM IN A POSITION NOT REALLY THEIR OWN. THIS GENERATES ATMOSPHERE LETHAL TO RATIONAL CONSIDERATION OF CERTAIN QUESTIONS ON WHICH PROGRESS MIGHT OTHERWISE BE MADE. ALTHOUGH SUMITRO AND SOEDJATMOKO RESPONDED WITH RENEWED COMMENTS ON ABUSES BY MULTINATIONALS, BOTH ALSO GRADUALLY SEEMED TO FOCUS ON OBSTACLES TO MATERIAL PROGRESS BEING CREATED BY VERY SUCCESS OF MOST VOCAL AND EXTREME OF LDC LEADERS IN CREATING A COHESIVE BLOC TOTALLY RESPONSIVE TO THEIR LEADERSHIP. IN END WE CAME CLOSE TO AGREEING ON A PERSONAL BASIS THAT POSITIVE RESULTS MIGHT DEPEND ON BOTH SIDES ESCAPING PRISON OF THEIR IDEOLOGIES.

11. I CANNOT CONCLUDE FROM THIS THAT MY INTERLOCUTORS WILL NOW BE PREPARED TO CHAMPION A MORE THOUGHTFUL AND SELECTIVE GOI PARTICIPATION ON THIRD WORLD POSITIONS, BUT THEY DID SHOW AN INTEREST IN MECHANISMS THAT MIGHT BE ADOPTED TO IMPART A MORE BALANCED TONE TO UNGA PROCEEDINGS WITHOUT EXPOSING DEVIATIONS AMONG THE 77--EG PRINCIPLES ESPOUSED BY 77 MIGHT BE FOLDED INTO A STATEMENT INCLUDING ALSO EXPRESSION OF RESPONSIBILITIES OF DEVELOPING COUNTRIES LIMITED OFFICIAL USE

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PAGE 04 JAKART 10315 02 OF 02 220802Z

TO ESTABLISH CONDITIONS FAVORABLE TO PROGRESS, AND OF CREATION OF NEW WEALTH AS A GOAL. IN CONCLUSION INDO- NESIANS HELD OUT SOME HOPE THAT THEY WOULD BE AT LEAST WILLING TO SUPPORT INDONESIA'S TAKING AHELPFUL STANCE IF THIS WOULD BE DONE WITHOUT APPEARING AS "RENEGADE" AMONG THE 77.

12. COMMENT: THIS MEETING INSPIRES ME TO HOPE THAT FURTHER
PROGRESS CAN BE MADE IN THE GENERAL DIRECTION OF UNDER-
STANDING WITH THE INDONESIANS AND OTHER SIMILAR COUNTRIES
BY PATEINT DEMONSTRATION POSSIBLE IDENTITY OF INTERESTS IN
CERTAIN AREAS AND BY REFRAINING FROM DIRECT ATTACKS ON
TACTICS OF THIRD WORLD NATIONS. CODE OF BEHAVIOR FOR
TRANSNATIONAL CORPORATIONS IS ONE AREA IN WHICH EXPLORATION
MY BE FRUITFUL. ASEAN DISCUSSIONS ARE ANOTHER. OUR DIS-
CUSSIONS WITH INDONESIA WOULD ALSO BE EASED IF WE COULD
EXPRESS READINESS TO CONSIDER "COLLECTIVE BARGAINING" ON
COMMODITY PRICES INVOLVING PRODUCERS AND CONSUMERS.
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